Oilsands emissions rise slightly with new production, even as industry makes progress on GHGs

The Calgary Herald (Alberta)

October 29, 2025 Wednesday

Web Edition

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Section: BUSINESS

Length: 740 words

Byline: Steven Wilhelm, Steven Wilhelm

Body

Greenhouse gas emissions from Canada's sprawling oilsands went up by less than one per cent in 2024, even as production continued to climb, a new report says.

S&;P Global Inc.'s analysis(https://www.spglobal.com/commodity-insights/en/news-research/blog/crude-oil/102825-canada-oil-sands-greenhouse-gas-intensity-emissions-slower-growth) shows oilsands companies are making progress in cutting emissions for every barrel of production - known as emissions intensity - even as overall emissions increase.

"We see production growing more efficiently, and that's leading to slower and lower absolute emission gains," Kevin Birn, an analyst with S&;P Global Commodity Insights, said. "As long as that continues, I think we still see absolute emissions continuing to grow, but (at a much slower) pace than the prior decade."

Still, the report underlines the challenges of meeting Canada's climate commitments. Under Premier Danielle Smith, Alberta is the main proponent seeking approvals for a new export pipeline that would ship a million barrels of oil per day to the B.C. coast, which would require significant increases in new production.

The industry is cutting the amount of greenhouse gases it's emitting for every barrel of oil it produces, which means emissions may continue to rise as companies increase production, according to Birn.

The report says emissions intensity declined by three per cent last year compared to 2023, dipping to 57 kilograms of carbon dioxide per barrel of crude oil. Meanwhile, production jumped by 150,000 barrels per day, which meant that overall emissions rose by less than a million metric tons of C02 equivalent, or less than one per cent.

Greenhouse gas emissions from the sector aren't increasing as quickly, but some industry observers suggest that oilsands emissions reductions in recent years have been oversold - despite modest efficiency improvements.

Dave Sawyer, principal economist at the Canadian Climate Institute, said absolute emissions have increased by 150 per cent since 2005, while oil and gas now makes up a third of Canada's emissions. Alberta also produces more than double the amount of crude oil(https://calgaryherald.com/business/energy/without-pipeline-alberta-oil-production-may-stagger-coming-years) it did in 2010, but analysts say a similar spike in the next 15 years is unlikely.

"You're not going to energy-efficiency your way out of this story," Sawyer said. "You can't. Is it an important element? Absolutely. Has it helped? Yes. Is it the emission story? No."

Sawyer said his group has not detected the same degree of per-barrel emissions cuts that S&;P Global found, though he acknowledged they may have used different data.

"Look, record production and emissions are up, no surprise," Sawyer said. "We found flat efficiency (improvements) since 2017 or 2018."

According to the S&;P Global report, absolute emissions from the oilsands rose by an average of five per cent annually from 2009 to 2019, but the growth has slowed considerably in recent years, with emissions rising by an average of one per cent a year since 2019, excluding 2020.

Andrew Leach, an economist at the University of Alberta, said the oil industry is focused on "squeezing more" out of its existing assets, rather than investing in large and expensive new facilities.

"Emissions keep creeping up, but not quite as fast as production," he said.

"It's not that surprising that the emissions intensity is going down," Leach said. "But it is good news that the barrels that we're adding have a lower emissions intensity."

The industry has proposed other solutions to move the needle on emissions, such as the $16.5-billion carbon capture and storage network proposed by the Pathways Alliance, a group of the country's largest producers.

Leach noted that even though the project has its merits, it's a small part of the overall reduction equation.

"That's not the big dollar stuff; the big dollar stuff is the capture on the individual (production) sites," Leach said.

He estimates the value that can be generated by reducing carbon emissions is at least half the cost of capturing carbon, or less.

"It doesn't matter if you have a pipeline. Doesn't matter if you have storage," Leach said. "Fundamentally, the economics don't work if the value you can generate through capturing carbon emissions isn't there."

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Load-Date: October 29, 2025

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